

## ECONOMIC ASSUMPTIONS AND CONDITIONS USED IN THE 2005-07 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION

**General fund revenue growth** - General fund revenues, including transfers, for the 2005-07 biennium are anticipated to increase by 4.5 percent, or \$82 million, from the original 2003-05 legislative revenue forecast and by 1.8 percent, or \$33.3 million, from the revised 2003-05 revenue forecast. General fund revenues, **excluding transfers**, are anticipated to increase by 5.4 percent, or \$91.7 million, from the revised 2003-05 revenue forecast.

**Taxable sales and purchases** - Taxable sales and purchases are estimated to increase by 1.6 percent in fiscal year 2006 and 2.5 percent in fiscal year 2007, resulting in additional general fund revenues of \$46.5 million as compared to the revised 2003-05 forecast from sales and use tax and motor vehicle excise tax collections.

**Lottery income** - North Dakota voters approved an initiated measure in November 2002 to amend the constitution and allow North Dakota to join a multistate lottery. The 2003-05 revised revenue forecast anticipates \$6.2 million of general fund revenues from the lottery, an increase of \$4.8 million from the original 2003-05 legislative revenue forecast. The 2005-07 executive budget anticipates \$10 million of general fund revenues from the lottery.

**Oil and gas tax collections** - Oil and gas tax collections are expected to decrease from \$111.8 million in 2003-05 to \$84.3 million in 2005-07. North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that if, at the end of any biennium, oil and gas production and oil extraction tax collections

during the biennium exceed \$71 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. An estimated \$40.8 million will be transferred to the permanent oil tax trust fund for the 2003-05 biennium. The executive budget recommendation proposes amending Section 57-51.1-07.2 to increase the general fund limit to \$84.5 million. Because oil and gas tax collections are projected to total \$84.3 million for the 2005-07 biennium, no transfer is anticipated to be made to the permanent oil tax trust fund during the 2005-07 biennium.

**Oil prices** - Oil prices are anticipated to average \$32 per barrel during the first year of the 2005-07 biennium and to decline to an average price of \$24 per barrel during the second year of the biennium. The average oil price in November 2004 for North Dakota crude oil was \$42.58 per barrel.

**Oil production** - Oil production is anticipated to average 89,500 barrels per day throughout the 2005-07 biennium. Oil production for September 2004 averaged 85,915 barrels per day.

**Individual income tax** - Adjusted gross income is projected to grow by 3.3 percent during the first year of the biennium and by 4.2 percent during the second year of the biennium, resulting in additional general fund revenue of \$31 million from individual income tax collections.

**Corporate income tax** - Corporate income tax collections are expected to increase by 2.9 percent or \$2.3 million, for an anticipated total of \$83.1 million of corporate income tax revenues during the 2005-07 biennium.